NATIONAL BROADBAND PLAN

ExParte in
GN Docket No.10-66
by

IAMO Telephone Company

Pioneer Telecommunications Cooperative

Totah Communications, Inc.

and

Fred Williamson & Associates, Inc.

April 6th, 2010

Overall, the Broadband Plan Is An Excellent Roadmap For Reforming USF and ICC and Maximizing Broadband Availability

1. A specific timeline is established to transition from funding the PSTN to funding broadband access.

2. Inefficiencies in the current USF due to funding multiple CETCs are eliminated and that support, as well as IAS support for Price Cap carriers, is retargeted via the new CAF to provide broadband access in rural areas.

3. Only one broadband provider will be supported in an area, and that provider must meet accountability criteria (provider of last resort, service quality, comparable rates, etc)

4. A mobility fund is created to provide 3G coverage

5. ICC reform transitions rates to more appropriate levels

The Success of the Broadband Plan for Rural Consumers Will be Enhanced by:

- Enacting Contribution Reform in Stage 1 rather than Stage 2 – Modification of Recommendation 8.10

- Maintaining Rate of Return (ROR) regulation and Carrier of Last Resort (COLR) obligations for rural ILECs – Modification of Recommendation 8.6

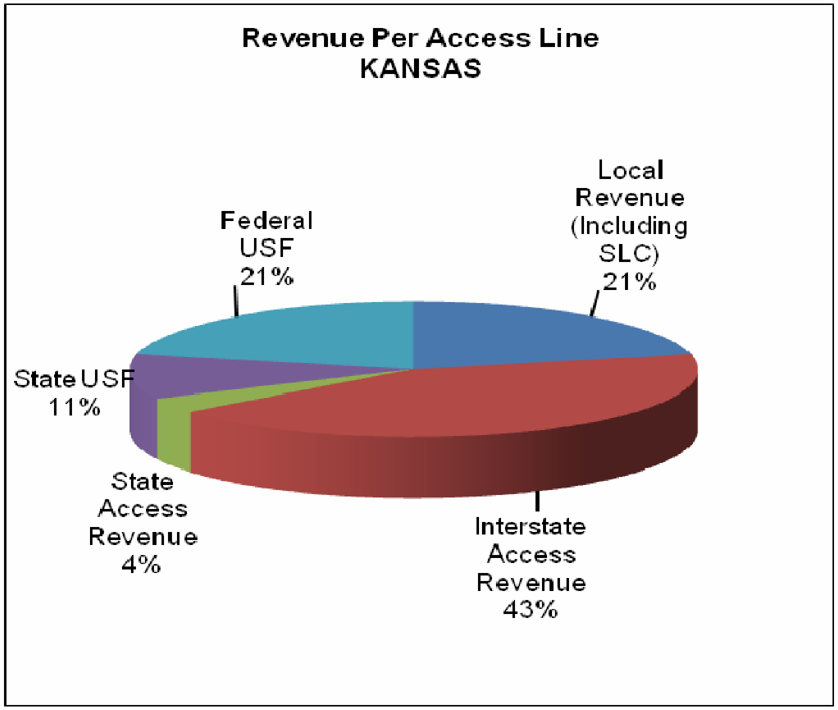
- Continuing Universal Service Fund (USF) funding based on actual rural ILEC study area investments, expenses and taxes – Modification of Recommendations 8.2 and 8.13

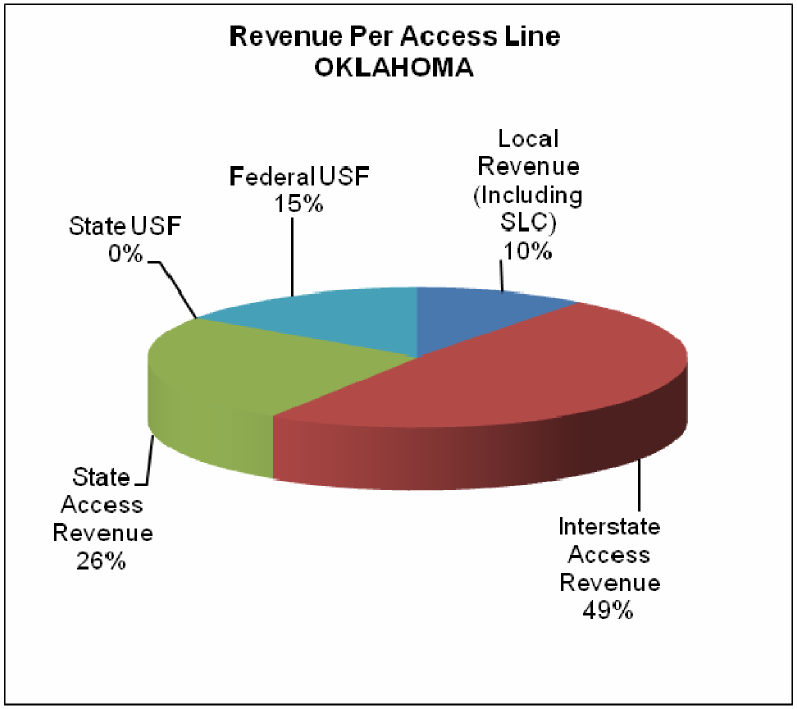
- Defining rural ILECs as the broadband provider of last resort eligible for funding – Modification of Recommendation 8.2

- Reforming Intercarrier Compensation while retaining revenues essential to maintaining, upgrading and extending broadband access in rural ILEC service areas – Clarification of Recommendations 8.7, 8.11 and 8.14

Revenues Per-Line for Certain Rural ILECs in Kansas and Oklahoma

Description	KANSAS Monthly Revenue Per Access Line	KANSAS %	OKLAHOMA Monthly Revenue Per Access Line	OKLAHOMA %
Local Revenue (Including SLC)	**$ 30.00**	**21%**	**$ 20.00**	**10%**
Interstate Access Revenue	**$ 60.00**	**43%**	**$ 95.00**	**49%**
State Access Revenue	**$ 5.00**	**4%**	**$ 50.00**	**26%**
State USF	**$ 15.00**	**11%**	**$ -**	**0%**
Federal USF	**$ 30.00**	**21%**	**$ 30.00**	**15%**
Total	**$ 140.00**	**100%**	**$ 195.00**	**100%**





Considerations for Rural ILEC USF and ICC Reform

Rural ILECs

- Serve a diversity of low density, high cost to serve areas.
- Are Carrier of Last Resort (COLR).
- Rely heavily on USF and Access Revenues to provide service , pay loans and meet goals of the Act (universally available service at just, reasonable and affordable rate levels)
- Are deploying networks that provide broadband deployed throughout their service area – now 94% and nearly 98% in 2 to 3 years.

USF funding is not a subsidy, or a government fund or grant for rural ROR ILECs - USF and ICC were adopted as rate design changes to replace cost recovery revenues previously recovered in access charges (USF) or toll rates (ICC).

ROR/COLR Incents
Broadband Deployment and Job Creation
Recommendation 8.6

- **<u>ROR incents</u>**:
  - Efficient network investment and plant upgrades in high cost to serve rural ILEC service areas
  - Quality services through reasonable maintenance, customer service, etc., expenditures
  - Job additions
  - Accountability
- **<u>Incentive regulation incents</u>**:
  - Maximization of revenues with:
    (a) Minimal - capital deployment, maintenance, customer service, etc., expenditures, in rural areas and,
    (b) Job cuts and,
    (b) Minimal accountability

ROR Incents Broadband Deployment and Job Creation Recommendation 8.6

	ROR	Incentive
Broadband Capable Lines	2,533	104
Retail Lines	2,823	1,130
Percent Broadband Capable	89.7%	9.2%
Investment / Line	$11,380	$7,057
Operating Expenses / Line	$2,182	$1,179

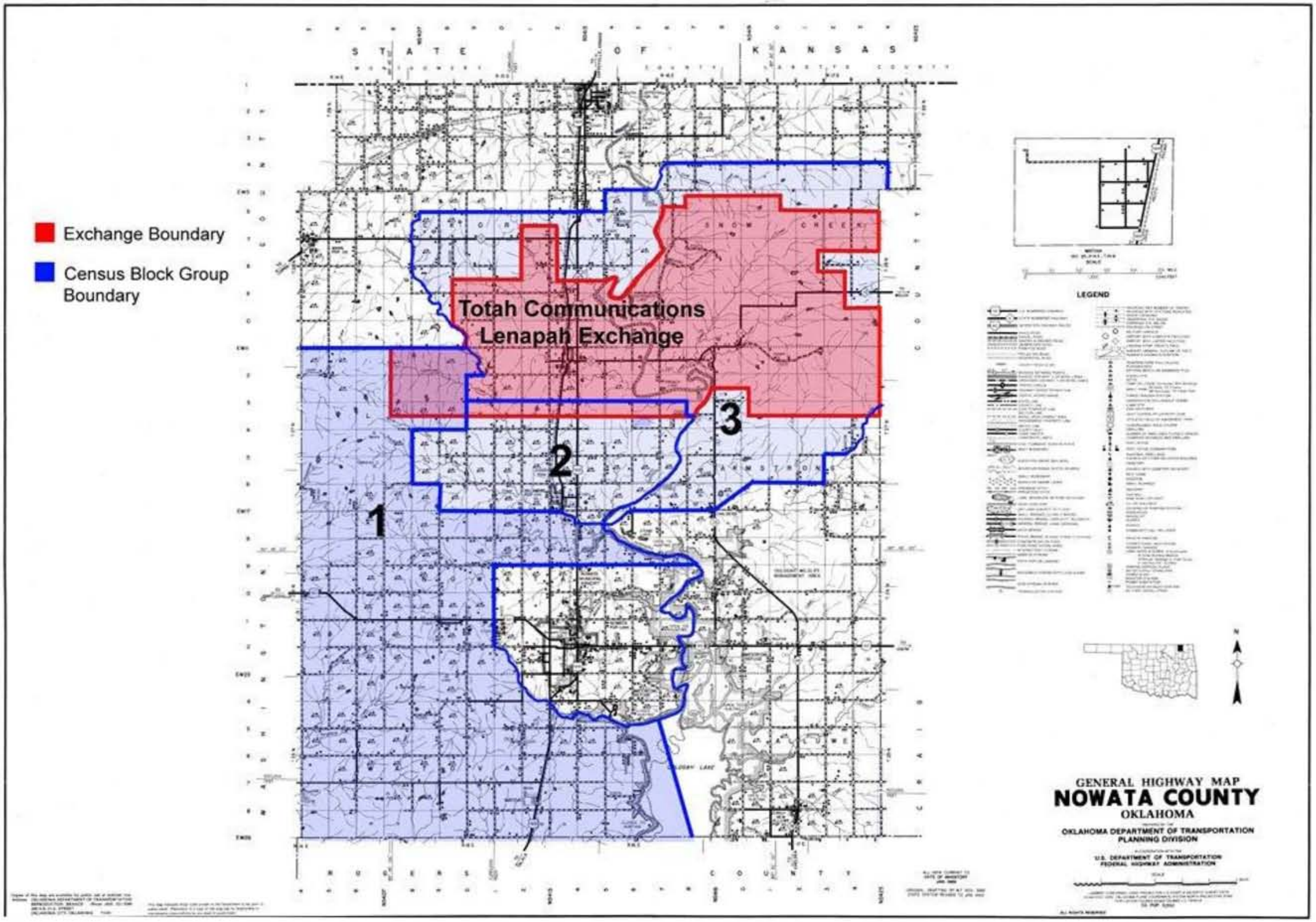
Actual Study Area Costs Should be Used to Determine Rural ILEC Funding - Recommendations 8.2 and 8.13

Forward looking costs are inappropriate for use in rural ILEC service areas:

- Modeled costs cannot realistically account for the diversity of terrain, trenching conditions, weather conditions, labor and contract costs, etc., faced by rural ILECs
- "Neutral" geographical areas such as census block groups disadvantage rural ILECs because their service area may only be partially contained in such an area
- Before a model is adopted for rural ILECs, it should be evaluated for its validity by comparing its results to the ILECs' actual costs

Actual study area costs should be used by rural ILECs:

- Rural ILECs are aggressively and efficiently deploying fiber facilities and as a consequence these costs reflect the varying reality of the costs to provide service in differing rural ILEC service areas.
- Modeled costs that differ from the actual costs to deploy service in a rural ILEC's area will disincent further broadband network upgrades.



Exchange Boundary
Census Block Group Boundary
Totah Communications Lenapah Exchange
1
2
3
STATE OF KANSAS
GENERAL HIGHWAY MAP
NOWATA COUNTY
OKLAHOMA
OKLAHOMA DEPARTMENT OF TRANSPORTATION
PLANNING DIVISION
LEGEND

Rural ILECs Should Be Designated As the Supported Broadband Provider in Their Service Area Recommendation – 8.2

- Rural ILECs have worked and are working diligently to upgrade their networks to deploy broadband access.
- Costs to maintain a quality network with voice and broadband access substantially exceed revenues available from affordable customer rates.
- Rural ILECs have minimal or no ability to support these costs with revenues from lower cost areas.
- Stable and predictable USF and ICC revenues are essential to the ability to obtain loans for the necessary upgrades.
- The uncertainty caused by allowing other providers to “bid “ for support in portions of the rural ILECs service area is likely to disincent further broadband network deployment and loans for that deployment.

Intercarrier Compensation Reform Recommendations 8.7, 8.11 and 8.14

- ICC reform is essential because arbitrage and uncertainty regarding VoIP compensation for use of the network are resulting in a substantial loss of ICC revenues.
- If the Commission does not require VoIP providers to pay ICC rates, and as long as interstate rates are significantly different than reciprocal compensation rates, these losses will continue even if the recommendations in Chapter 8 are implemented.
- ICC reform should move more quickly to a defined target:

  - ICC rates (originating and terminating access and reciprocal compensation) should transition to zero over a five year period.

  - Revenues lost by the rural ILECs based on this transition are essential and should be replaced by a combination of realistic SLC increases, local rate increases to a reasonable benchmark, and if necessary, USF funding.